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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:

Federal-State Joint Board on
Universal Service (FCC 96-93)

CC Docket No. 96-45
DA 97-1957

September 25, 1997

Summary

The Council of the Great City Schools, the coalition of the nation's largest central city school districts, submits the following comments on the two issues requested in the September 10, 1997 public notice.

To address the potential exhaustion of funds, the Council suggests the modification of the first-come, first-serve approach: 1) using a series of rolling windows for the initial six month period with proportionate allotment ceilings (caps), 2) using a priority system within the window which a) first prioritizes high discount-rated jurisdictional and individual applications and b) segments mega aggregation applicants in proportion to the demand and the cap, as well as 3) using half of the \$250 million "disadvantaged" applicant reservation at the end of period in an effort to optimize the equitable treatment of all applicants for discounts at the outset of this program.

The Council also recommends the adoption of the Working Group report on aggregation methodology, which represents the consensus of diverse perspectives which balance the need to assure that each school and library receives the full benefit of the discount to which it was entitled -- no more and no less -- with the interest in producing reasonable and workable procedures for administrative purposes and facilitating sensible collaborative efforts.

Exhaustion of Funds

The concern over exhaustion of funds recognized by the Commission in the September 10, 1997 request for public comment increasingly appears to be a valid one. The substantial needs for improving telecommunications services in schools and libraries and the expanding knowledge of the availability of the substantial discounts available under the Universal Service Order suggests a possible stampede of applicants in the initial funding period beginning on January 1, 1998. Additionally, very large aggregated applications combining numerous distinct legal entities, each with individual authority to contract for telecommunications services, such as statewide aggregations of school districts or regional aggregations of libraries or library systems, could claim sizable portions of the initial \$1 billion allotment for the first six months of 1998. As a result, individual and local jurisdictional school and library entities applying for discounts without the benefit of a large, organized, and aggressive aggregator could find the initial allotment quickly exhausted. Some protective procedures appear to be warranted as modifications of the first-come, first-serve process for the individual applicant, and for applicants in states or regions without mega aggregations, in addition to the protections afforded by

the hold-back of \$250 million for the most economically disadvantaged applicants in the event of an exhaustion of funds.

For the annual \$250 million reservation of funds for the most economically disadvantaged schools and libraries, the Council of the Great City Schools recommends the use of half of the reserved funds (\$125 million) in each of the two six month funding periods in 1998, when each \$1 billion allotment for that period has been exhausted and economically disadvantaged school and library applicants remain. However, economically disadvantaged school and library entities which have chosen to avail themselves of the benefits of aggregation with other such entities beyond their own legal jurisdiction which are not economically disadvantaged should forfeit the benefit of participating in the \$250 million reservation of funds. This reservation was designed for the most disadvantaged. Such a disadvantaged school or library entity which derives the benefits of aggregation with more advantaged counterparts, such as reduced administrative burden, shared services, lower prediscounted price, etc., no longer stands alone as a disadvantaged applicant, and some of its disadvantages have been mitigated by its aggregation with more advantaged counterparts. Therefore, the Council suggests only the most disadvantaged applicants aggregating no higher than their own legal jurisdiction of the school district or library system, or aggregating solely with other severely disadvantaged counterparts be able to draw on the \$250 million annual reservation under the rules of priority.

The concept of "rolling windows" of application opportunity offers a viable approach to managing the "stampede" effect of applications in the initial funding period. Yet unless the windows of opportunity are of some sizable duration, the potential exhaustion of funds within a limited number of two-week windows, for example, seems possible due to the drain of funds associated with very large aggregation applications. One option would be to place a cap on the allotment for each of the initial windows in the first funding period. If the volume of bona fide applications exceeded the cap, a priority system would be triggered for that set of applicants. Unfunded applications would be rolled over in the next window of opportunity. First, mega aggregation applicants, beyond local jurisdictional boundaries, which apply for very large amounts of funds (1% or 2% of the allotment for the six month funding period or other comparable measure) should be required to segment their applications into severable portions (fifths, quarters, etc.) such that a particular portion of the mega aggregation application could be funded in one window of opportunity along with competing jurisdictional applications (school district and local library systems) and individual school or library applications. The remaining portions of the mega aggregation applications would be rolled over to the next window of opportunity. Similarly, if the cap is exceeded for a particular window, the jurisdictional and individual applicants with the highest discount rates would be funded first, with the lower discount-rated applicants rolled over into the next window, where they would then receive first funding priority.

For example, in a month-long January 1998 window of opportunity a \$200 million cap might be established, but \$300 million in applications might be received, creating a one-third shortage of funds for the January window. Mega aggregation applications in excess of 1% or 2% (\$10 or 20 million) of the \$1 billion funding period allotment (January to June 1998) would be identified and funded at a three-fifths (60%) level based on the required severable segments of their applications. The remaining unfunded 40% of the mega applicants' request for funding would be rolled over into the February window of opportunity, and addressed in the same manner in February. The applicable volume of jurisdictional and individual applications (approximate two-third of these January applicants) would be funded based on descending levels of the discount rate. The unfunded one-third of these January

applicants would be rolled over into the February window for top priority funding in February under a similar \$200 million cap.

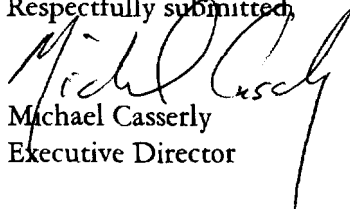
The experience during the potential "stampede" period at the beginning of 1998 should be instructive in the administration of the program thereafter. Rolling windows for the initial six month period with proportionate allotment ceilings (caps), a priority system within the window, as well as the use of half of the \$250 million "disadvantaged" applicant reservation at the end of period may help to optimize the equitable treatment of all applicants for discounts.

Aggregation of Funding Requests Under the Recommendations of the Working Group

The Council of the Great City Schools in our earlier filings with the Joint Board and the Commission had cautioned about the creation of loopholes in the discount process which would allow more advantaged applicants to share or benefit from the deeper discounts afforded to the most disadvantaged applicants. The Working Group comprised of three Departments, the Institute, and numerous interest groups, generally representing school and library applicants, reflected virtually the entire spectrum of opinion on the implementation of the Universal Service Fund and on the manner in which the variety of applicants should be able to utilize the discount matrix. Although the Council of the Great City Schools is not a member of any technology coalition, the Council was an active participant in the Working Group and its subgroups, and joined in supporting its consensus recommendations with the Federal agencies and the Edline Coalition.

The recommendations on aggregation methodology were the product of a compromise which considered both administrative burden, and school and library need. While simple averaging of discounts might have produced a much simpler procedure for administrative purposes and allowed for easier aggregation, the interests in simplicity had to be balanced with the need to assure that each school and library received the full benefit of the discount to which it was entitled -- no more and no less. The Council believes that the Working Group achieved that balance in our recommendations, based on the give and take of this diverse Group. The Council encourages the Commission to adopt the recommendations of the Working Group, and to consult with the Group as a whole if clarifications are needed.

Respectfully submitted,



Michael Casserly
Executive Director